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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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SUBJECT	Currency Circulation Plan for the First Quarter of 1954 Submitted by the Deutsche Notenbank	DATE DISTR.	3 June 1954
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THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
THE APPRAISAL OF CONTENT IS TENTATIVE.
(FOR KEY SEE REVERSE)

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SOURCE:

1. The Cash Circulation Plan for the first quarter of 1954 is based on the circulation of cash reflecting an envisaged 9% increase of income over that of 1953. The following cash circulation is expected in the first quarter of 1954 (all amounts are in millions of DME):

	<u>Cash In-payments</u>	<u>Cash Out-payments</u>	<u>Surplus of Inflow or Issuance</u>	<u>Final Cash Holdings (in- cluding Emissionsfonds)</u>
December 1953	-	-	-	605
January 1954	2,764	2,869	- 105	500
February 1954	2,812	2,849	- 37	463
March 1954	2,976	2,924	+ 52	515
Quarterly Total	8,552	8,642	- 90	

2. The low cash holdings at the beginning of the year (605 million DME in 1954 as compared to 816 million DME in 1953) are the results of nonfulfillment of the 1953 retail commodity sales plan. According to the planned increase of currency in circulation, the amount of cash in the hands of the population and of the enterprises is to increase 90 million DME during the first quarter of 1954. During the same period, the rate of cash turnover is to increase over to the previous year. The following table shows the rate of cash turnover in East Germany during 1953 and the first quarter of 1954; all amounts are in millions of DME:

<u>Period</u>	<u>Commodity Turnover</u>	<u>Average Amount of Currency in Circulation</u>	<u>Rate of Turnover</u>
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I/53	5,935	3,649	6.4
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<u>Period</u>	<u>Commodity Turnover</u>	<u>Average Amount of Currency in Circulation</u>	<u>Rate of Turnover</u>
II/53	6,480	3,629	6.4
III/53	6,793	3,514	7.7
IV/53	8,087	3,589	9.0
1953 Total	27,295	3,595	7.6
I/54	7,067	3,648	8.8
1954 Total	-	-	8.8

3. Cash In-Payments

The commodity turnover plan for the first quarter of 1954 envisages an increase over the previous year of 19.1 percent. Cash in-payments to credit institutions by retail trade during the same period are expected to increase 21.1 percent over the previous year. In this connection, it is essential to adhere to the 1 August 1953 Notice of the State Committee for Material Supply (Prohibition against purchases by state agencies, state-owned enterprises, and social organizations of consumers goods destined for the public). So far this instruction has not been sufficiently obeyed. It must be implemented to assure fulfillment of the currency turnover plan for the first quarter of 1954.

4. Cash Out-Payments

In planning wage payments, the following government decisions have been taken into consideration:

- The Ordinance of 23 July 1953 governing the Increase of Wages for Workers in Wage Groups I to IV Employed in the State-owned Economy.
- The Ordinance of 15 October 1953 governing Taxes on Wages.
- The Ordinance of 17 December 1953 governing The Increase of Wages for Skilled Workers of Wage Groups V to VIII in Certain Sectors of the State-owned Economy.

These decisions resulted in increased cash demands. For the first quarter of 1954, a cash demand of 5,176 million DME has been foreseen for wages. This is 23.8 percent of the total 1954 wage demand. The cash demand for wages during the first quarter of 1953 was 22.9 percent of the annual demand. The planned increase in percentage for the first quarter of 1954 is partially based on the fact that the supply of fuel has been better this year than in 1953.

- In determining the amounts for cash in circulation needed for the purchase of surplus crops, the quotas requested by the State Secretariat for Acquisition and Purchase and the Union of German Consumers Cooperatives were used as a basis. In all, for the first quarter, 105.3 million DME have been allocated, in accordance with the seasonal reduction in purchases. That takes into consideration the expected increase in cashless purchases in 1954. During the last quarter of 1954, effective cash demand for this purpose was 116.8 million DME.

Estimation of the Probably Fulfillment of the Currency Circulation Plan for the First Quarter of 1954

The planned cash required by the Cash Circulation Plan will probably be made up completely. The planned cash in-payments will not be assured, in view of the persistently delinquent payments by retail trade as observed during the first and second ten-day periods of January, unless far-reaching measures are introduced to guarantee a general improvement in the work of wholesale, and retail trade. By 20 January 1954, only 48.1 percent of the month's quota of in-payments by retail trade had been met. Fulfillment according to type of retail trade was as follows:

VEEH HO	40.8 percent
Consumers Cooperatives	48.3 percent
Miscellaneous retail businesses under group control	63.9 percent
Private retail trade	55.3 percent

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The intermediate plan goal at the end of the second ten-day period of January is about 64 percent. The delinquency in in-payments resulting from inadequate fulfillment of the commodity turnover plan is 290 million DME.

6. The main causes of the present unsatisfactory development are as follows:

- a. Decrease in buying in East Germany following the announcement of the dates of inventory clearance sales in Berlin.
- b. Inadequate assortment of goods available.
- c. Industry made no contracts, or only multiple goods (Global) contracts.

The relatively good fulfillment by private retail trade is partly to be credited to the long closing of state-owned retail outlets for considerable periods during the taking of inventories.

7. The following are measures requested for the implementation of the Currency Circulation Plan for the first quarter of 1954:

- a. The strengthening of the influence of trade on production.
- b. Expedition of the movement of goods from producer to retailer.
- c. The guarantee that goods destined for the public's quota are not absorbed by enterprises and miscellaneous institutions.

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